

INDIAN HEALTH SERVICE

(dollars in millions)

	2000 <u>Actual</u>	2001 <u>Enacted</u>	2002 <u>Request</u>	Request <u>+/-Enacted</u>
Program Level.....	\$2,857	\$3,204	\$3,311	+\$107
FTE.....	14,676	14,824	14,958	+134

SUMMARY

The Indian Health Service (IHS) FY 2002 budget request is \$3.3 billion, a net increase of \$107 million over FY 2001. Additional funds are requested to cover the increased costs of providing health services to eligible Indian people and to support Indian Self-Determination by moving from Federally run to tribally run programs. IHS will also receive \$499 million in health insurance reimbursements in FY 2002, a projected increase of \$29 million compared to FY 2001. These reimbursements are primarily from Medicare and Medicaid.

AGENCY DESCRIPTION

IHS provides care to 1.5 million American Indians and Alaska Natives who are members of 556 Federally recognized Tribes. Care is provided directly in 49 hospitals and over 500 outpatient clinics and smaller facilities located primarily in Alaska, along the Pacific Coast, the Southwest, Oklahoma, and the Northern Plains. IHS also purchases medical care from private sector hospitals and health professionals; the FY 2002 budget includes \$446 million for purchased care. Other services include preventive health (including mental health care and alcohol/substance abuse prevention and treatment), construction of waste water and solid waste

disposal systems for Indian homes and funding for 34 urban Indian programs.

In many areas, Tribes are responsible for managing their health services. Currently, Tribes are responsible for about 53 percent of appropriated funds. The Navajo Nation has submitted a proposal to move to a tribally managed health care program that serves its 250,000 tribal members. Implementation of this contract would give Tribes management responsibility over 62 percent of IHS's appropriated funds in FY 2002.

CONTINUED PROVISION OF HEALTH SERVICES

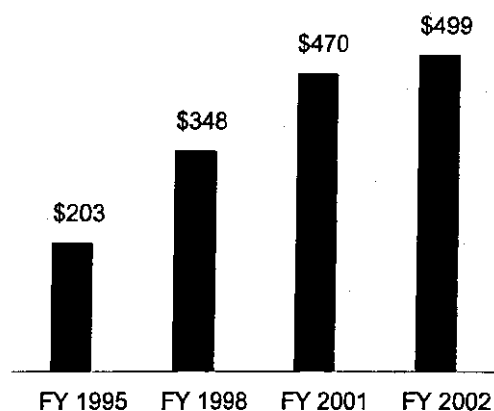
The number of people eligible for IHS services increases at about two percent annually. Like any health care provider, IHS experiences increases in the cost of providing services.

The budget includes an additional \$55 million to fully cover increased pay costs for IHS's Federal employees (14,824 FTE) and to allow tribally run health programs to provide comparable pay raises to their own staff. An additional \$11 million is also included to staff the new outpatient clinic serving the Colorado River Tribes at Parker, Arizona and to begin staffing the new Fort Defiance hospital which will open late in FY 2002. A \$4 million increase is also included to upgrade IHS's information

infrastructure, in order to make its information systems better able to respond to data requests.

Increasing IHS Health Insurance Reimbursements: In FY 2002, IHS will receive an estimated \$499 million in health insurance reimbursements – primarily from Medicare and Medicaid. IHS and the Health Care Financing Administration have worked cooperatively to develop a cost-based reimbursement methodology to better reflect the full cost of providing services. For example, IHS health facilities will receive \$185 for each Medicaid outpatient visit in 2001, an increase of eight percent over the amount received in 2000. This methodology, together with better efforts to enroll eligible Indian people and legislative changes expanding the scope of covered services, has led to an increase in health insurance reimbursements of 146 percent since FY 1995.

IHS HEALTH INSURANCE REIMBURSEMENTS
(dollars in millions)



The recently enacted Medicare, Medicaid, and the State Children's Health Insurance Program (SCHIP) Benefits Improvement and Protection Act of 2000 allows IHS to begin to receive Medicare reimbursements for services provided by physicians and other health care professionals covered under the Medicare fee schedule. This new legislative authority,

together with the 2001 rate increases, will increase insurance reimbursements by \$29 million over FY 2001.

Diabetes: The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 increased IHS's annual diabetes funding to \$100 million through FY 2003, up from \$30 million in FY 2000. These funds increase services to American Indian and Alaska Native people, consistent with the lessons learned through existing diabetes prevention and treatment programs at clinical and community sites. For example, foot care programs in Minnesota have reduced amputations while school health programs in Nebraska have increased physical activity to reduce childhood obesity, a risk factor for diabetes. To assist local diabetes programs, IHS has already developed 15 best practices models including cardiovascular risk, primary prevention, pharmaceuticals, and blood sugar improvement.

Diabetes prevalence among Indian people is now triple the rate for non-Hispanic whites. IHS began funding 318 diabetes programs throughout Indian country in FY 1998. Seventy percent of

Diabetes prevalence among Indian people is now triple the rate for non-Hispanic whites... IHS has increased the number of diabetic patients with improved glycemic and blood pressure control to reduce their need for costly medical care.

programs have increased their emphasis on diabetes prevention for adults (e.g., diet, exercise, blood pressure control) while 56 percent have increased emphasis on diabetes prevention for children

(e.g., increased physical activity). Prevention is a primary focus. Estimates of the average cost of a diabetic's care ranges from \$5,000 to \$9,000 annually. IHS has increased the number of diabetic patients

with improved glycemic and blood pressure control to reduce their need for costly medical care.

Increasing Equity Among Tribes: A high priority of the IHS is to provide comparable levels of health services to Tribes across Indian country. The FY 2002 budget includes a further increase of \$8 million to address equity among Tribes.

SUPPORTING INDIAN SELF-DETERMINATION

A rapidly growing number of Tribes have chosen to assume responsibility for providing their own health care by entering into self-determination contracts with the IHS. Tribes currently operate one-fourth of IHS hospitals, three-quarters of the outpatient facilities, and 53 percent of the budget, up from 37 percent in FY 1995.

Beginning on January 1, 2002, the Navajo Nation has proposed to assume

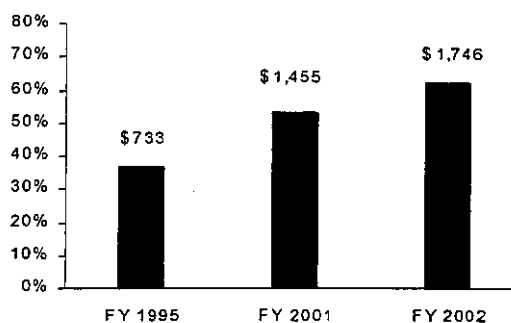
The Navajo Nation has proposed to assume responsibility for health services for its 250,000 tribal members.

responsibility for health services for its 250,000 tribal members, including 6 hospitals and 19 outpatient facilities, with

a FY 2001 budget of \$349 million. Under the proposed Navajo contract, Tribes will control 62 percent of the IHS budget in FY 2002.

The budget includes a total of \$50 million primarily to support transition of Navajo health services from Federal to tribal management and to support similar transitions for other Tribes. Of this \$50 million, \$40 million is included for additional Contract Support Costs to allow Tribes, such as the Navajo Nation, to develop the administrative infrastructure necessary to efficiently operate their health care programs.

PERCENT OF IHS FUNDS MANAGED BY TRIBES



Within the \$50 million, \$10 million is included for the transitional costs IHS will incur in transferring responsibility for health services to the Navajo Nation. This will be the largest health services transfer ever undertaken by the IHS; nearly 3,600 Federal employees, 24 percent of the Agency's total workforce, currently provide services to the Navajo Nation.

FACILITY CONSTRUCTION

The budget includes \$38 million for construction of new health facilities. A total of \$14 million is requested for Fort Defiance. These funds will complete the hospital portion of the complex and begin building the staff quarters which are needed for this remote facility that serves the Navajo Tribe in Arizona and New Mexico. Within the total, \$24 million is included to fully fund the construction of the new Winnebago hospital serving the Winnebago and Omaha Tribes in Nebraska.

REDIRECTED RESOURCES

The budget request does not continue funding for two facility construction programs: Joint Venture Demonstration Projects and the Small Ambulatory Facility Program. Both programs were first funded by Congress in FY 2001 for a total of \$15 million. The budget request does not include funds for three one-time projects totaling \$4 million in FY 2001.

IHS OVERVIEW

(dollars in millions)

	2000 <u>Actual</u>	2001 <u>Enacted</u>	2002 <u>Request</u>	Request <u>+/-Enacted</u>
Indian Health Service:				
Clinical Services.....	\$2,064	\$2,267	\$2,361	+\$94
<i>Contract Health Services (Non-Add)</i>	407	446	446	0
Preventive Health.....	92	96	100	+4
Contract Support Costs.....	229	248	288	+40
Tribal Management/Self Governance.....	12	12	12	0
Urban Health.....	28	30	30	0
Indian Health Professions.....	30	30	30	0
Direct Operations.....	51	53	66	+13
Diabetes Grants /1.....	<u>30</u>	<u>100</u>	<u>100</u>	<u>0</u>
Subtotal, Services Program Level.....	\$2,536	\$2,836	\$2,987	+\$151
Indian Health Facilities:				
Health Facility Construction.....	\$50	\$86	\$38	-\$48
Sanitation Construction.....	92	94	94	0
Facility & Environmental Health Support..	116	121	126	+5
Maintenance & Improvement.....	48	51	50	-1
Medical Equipment.....	<u>15</u>	<u>16</u>	<u>16</u>	<u>0</u>
Subtotal, Facilities Program Level.....	\$321	\$368	\$324	-\$44
Total, Program Level.....	\$2,857	\$3,204	\$3,311	+\$107
Less Funds Allocated From Other Sources:				
Health Insurance Collections.....	-\$431	-\$470	-\$499	-\$29
Rental of Staff Quarters.....	-5	-5	-5	0
Diabetes Grants /1.....	<u>-30</u>	<u>-100</u>	<u>-100</u>	<u>0</u>
Total, Budget Authority.....	\$2,391	\$2,629	\$2,707	+\$78
FTE.....	14,676	14,824	14,958	+134

/1 These Mandatory Funds were originally appropriated in the Balanced Budget Act of 1997